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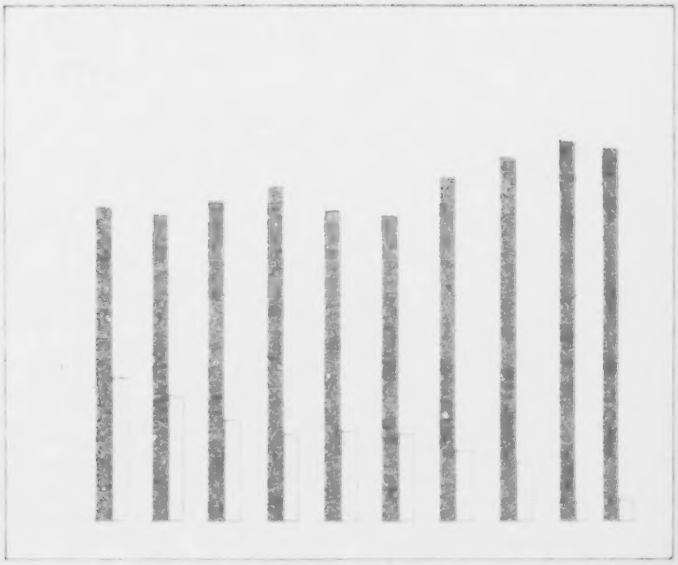
DEALER BUSINESS TRENDS

(FOR THE PAST 10 YEARS)



(CONT'D PAGE 6)

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SALES/MARGINS/EXPENSES/NET PROFIT/FINANCIAL RATIOS
BALANCE SHEET DATA/EMPLOYEE STUDIES

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION
10877 WATSON ROAD • ST. LOUIS, MISSOURI 63127

FOREWORD

As in each year since 1947, special questionnaires were mailed early in the year to approximately 11,000 U.S. and Canadian agricultural and industrial equipment dealers as well as to selected non-member U.S. lawn and garden equipment dealers. Direct mailings of the forms were made from the National Association headquarters in St. Louis and support mailings were made by cooperating affiliated state and regional associations.

The questionnaires conform to all of the widely-used dealer accounting systems and were designed to secure significant information on departmental sales and margins, a breakdown of dealer overhead, and balance sheet and employee data.

Hundreds of responses were received in the mail survey. In addition, most of the dealers currently using association computer accounting systems throughout the U.S. were included. Publication of this study is made possible only through the cooperation of dealers and their bookkeepers who furnished comprehensive departmental operating information and the detailed balance sheet and expense breakdowns. Sincere thanks plus a free copy of this booklet are due those who took time out of busy schedules to compile information for this important project.

Returns were received from dealers in the three geographical regions shown below, in almost exact proportion to the number of members in these regions:

STATES OR PROVINCES IN EACH REGION

EASTERN		CENTRAL		WESTERN	
Alabama	New York	Arkansas	Minnesota	Alberta	New Mexico
Connecticut	North Carolina	Illinois	Mississippi	Arizona	North Dakota
Delaware	Ontario	Indiana	Missouri	California	Oklahoma
Florida	Pennsylvania	Iowa	Ohio	Colorado	Oregon
Georgia	Quebec	Kentucky	Sask-Man	Idaho	South Dakota
Maine	Rhode Island	Louisiana	Tennessee	Kansas	Texas
Maryland	South Carolina	Michigan	Wisconsin	Montana	Utah
Massachusetts	Vermont			Nebraska	Washington
New Hampshire	Virginia			Nevada	Wyoming
New Jersey	West Virginia				

The number of agricultural dealer participants by sales volume category were as follows:

	1983		1982	
Sales Volume	No. of Dealers	% of Total	No. of Dealers	% of Total
To $1 Million	209	19	285	23
$1 Million to $2 Million	343	31	420	35
$2 Million to $3 Million	217	20	276	22
Over $3 Million	328	30	254	20
	1,097	100	1,235	100

In addition, 98 industrial dealers and 45 lawn and garden dealers responded to the survey.

Operating studies by geographical region for agricultural dealers are shown on page 14. Regional balance sheet information is not included.

Combined total retail sales of dealers responding in the survey were in excess of $2,300,000,000.

Separate studies of agricultural, industrial and lawn and garden dealers are shown on pages 8 and 9. Dealers were classed as industrial or lawn and garden if 50 percent or more of their equipment sales in the year were these classes of goods.

HIGH-PROFIT STUDIES

Returns used in compiling averages of high-profit dealers represent approximately one-fourth of the particular group. To arrive at these figures, the questionnaire returns were first ranked according to percentage of net profit (or loss) to sales, from the highest profit downward. The best one-fourth of the returns in the array were then selected to make these tabulations--a most interesting and valuable part of the Cost of Doing Business Study.

PERCENTAGE CALCULATIONS

All percentages shown in operating studies are in relation to sales. They are computed by dividing the dollars of margin or expense by sales.

In the case of margins, each item is divided by sales of the particular department to arrive at the percentage of margin for the department. Total margin divided by total sales gives the percentage of margin on the composite of all sales.

Percentages shown for expenses are in relation to total sales. Again, the dollar amount for each item is divided by total sales to arrive at the percentage.

Operating percentages are important since they reflect the degree of operating efficiency. These figures are the true test of performance and serve as a sound basis for accurate comparison regardless of sales volume.

Individual dealer financial and operating information is held in strictest confidence at the National Association headquarters. All of the editing and coding of reports are performed "in house" and completely tabulated on NFPEDA's own computer.

1983 COST OF DOING BUSINESS STUDY

In an agricultural economy which lagged in 1983 throughout most of the country, the farm equipment business continued in the doldrums. And the drought which hit America's mid-section last summer added fuel to an already bad situation for many dealers.

But according to nearly 1,100 dealers reporting in the 1983 Cost of Doing Business, both sales and profits have held nearly to their year prior levels — just barely "in the black"!

Average sales of the 1,100 reporting dealers were $2,138,833 which is down slightly from the prior year's $2,189,981. This represents a drop of a mere $51,148 or 2.34 percent in the year. (Note the sales trend of the last ten years indicated by the graph in Fig. 1 on the front cover.)

To the casual, uninformed observer, the decline in sales would be almost insignificant, because, after all, what does 2 percent of sales really amount to in times like these?

The last really good year for farm equipment dealers was 1979 when farm equipment markets were active and dealer equipment inventory turnover was at the annual rate of 2.52 times (that's how many times inventory was bought and sold in the year). Net profit before taxes was an unspectacular 3.66 percent of sales even in that year.

How things have changed! If dealers could have recaptured that 1979 rate of turnover, their new and used equipment sales would have been $2,500,000 instead of the $1,462,707 actual for 1983. This is a difference of $1,000,000 and 73 percent on volume of just farm equipment for the average dealer as a result of market deterioration. It illustrates perfectly the size and shape of the greatest problem faced by the dealer today.

In any industry where unit prices are high, you can expect turnover rates to be low. Compensation to the entrepreneur is in higher margins of profit which, with good management, he converts into a good return on investment. So turnover is the "name of the game" in the farm equipment business.

Rates of inventory turnover have been on a downhill slide since 1979 when, as noted above, the rate was 2.52 times turn. Return on investment of the average farm equipment dealer has also fallen in the intervening four years to 10 points "below prime" in both 1982 and 1983:

	New & Used Eqpt. Inventory Times Turn	Profit % of Sales	% Return on Dealer Investment
1979	2.52	3.66	26.57
1980	2.04	2.87	19.19
1981	1.77	2.25	15.36
1982	1.46	0.92	5.62
1983	1.45	0.95	5.57

Note how these indicators slide downhill together! In these conditions, dealers would be better off invested in the money market, and many are finding right now it would be nice to be able to switch.

Whenever sales are difficult to make, margins usually suffer. The year 1983 was no exception to this. The already low margins on new and used equipment combined, worsened from 7.17 percent of sales in 1982 to 6.72 percent in 1983. The drop of 0.45 percentage points, converted into dollars on 1983 sales, amounted to a lost margin of $6,582, which is about one-third of the meager net profit for the year of 1983.

Obviously, dealers have acquired more inventory than the market can stand. It costs money to carry inventory and it costs even more to sell it as distress merchandise.

For an industry geared for growth in an agricultural economy which wasn't growing, the sorry returns to dealers in the years 1982 and 1983 were inevitable. With government intervention in the farm commodity markets via the PIK Program, with all the uncertainties it generated, then with the drought, and all of this coupled with expectations too high in many places, dealers proceeded in 1983 to replace their 1982 equipment inventories, thus assuring a repeat of the 1982 disaster. Serious trouble for the dealer was in the making as early as May or June of last year.

It may come as a surprise to many that there were any profits at all for dealers in 1983. However, there continued to be success for the minority, since 208 out of 1,097 of the participating dealers earned a profit of 3 percent or more on sales. This represented 19 percent of the participating dealers in 1983, a poor comparison to the 23 percent in 1982.

Dealers operating in the black numbered 582, or 64 percent, of the participating dealers in 1983. This is almost no change from the preceding year when 63 percent of the participating dealers were in the black.

Profitability of dealerships continues to trend better for those of larger volume of sales. For 1983, the lineup for percentage of profit on sales for the four volume sizes of dealers ranged from 0.42 percent for Group "A", to 0.54 percent for Group "B", to 0.77 percent for Group "C", to 1.27 percent for Group "D". Results for these volume categories of dealers are tabulated in detail on pages 10 and 11.

The question of geographic location is once again a matter of interest in analyzing the results of the Cost of Doing Business for 1983. In tabulations of results for the existing 33 state and regional association areas in the United States and Canada, it is found that Far West Association dealers were most profitable in percentage of sales of all the areas, with a return of 3.18 percent of sales. Following closely were Virginia dealers with 2.79 percent of sales. Other areas scoring a net profit of over 2 percent were Deep South (2.26 percent) and Pennsylvania (2.15 percent). Improving the most in 1983 over 1982 were Mid-South dealers showing a profit of 1.70 percent as compared to a loss of 0.42 percent the prior year.

Following is a complete list of associations that had 25 or more dealerships participating in the 1983 Cost of Doing Business Study. This list shows how average

dealers fared for sales and net profit ratio to sales in these areas of North America.

	1983		1982	
	Average Sales (Millions)	Profit % of Sales	Average Sales (Millions)	Profit % of Sales
Carolinas	$1.382	1.49	$1.399	0.37
Deep South	1.706	2.26	2.474	2.07
Illinois	2.548	0.86	2.566	0.59
Indiana	2.198	0.71	1.790	(0.49)
Iowa-Nebraska	2.212	0.14	2.235	0.79
Michigan	2.007	(0.47)	1.582	1.59
Mid-South	2.168	1.70	1.946	(0.42)
Minnesota-South Dakota	2.195	0.51	2.267	0.57
New York	1.561	1.98	1.820	1.56
North Dakota	2.828	(0.14)	2.023	3.03
Ohio	1.582	0.65	1.434	(1.31)
Pennsylvania	2.045	2.15	1.717	1.40
Southwest (TX-NM)	1.592	1.13	2.097	1.21
Virginia	1.754	2.79	1.490	2.28
Western (KS-MO)	1.898	0.37	1.907	0.83
Wisconsin	2.186	1.09	2.051	(0.02)
Far West (CA-AZ-NV)	3.209	3.18	3.861	2.11
Ontario	1.811	0.99	2.195	1.57

Parts and Service

Sales of parts lost a little ground for the average dealer in 1983, declining from $457,045 to $450,964. This represents a drop of 1.33 percent in parts volume for the year and is the first time in 12 years that this study has shown a decline for parts. The percentage of margin on sales dropped almost imperceptibly during the year, going from 31.29 percent in 1982, down to 31.00 percent in 1983.

Sales of service labor followed parts sales on the downward path dropping from $157,181 in 1982, to $153,739 in 1983, a volume loss of 2.19 percent for the year.

The one bright spot in the total dealer operating picture was the upswing in margins on service. Margins were up in 1983 — both dollars and percentage to sales — increasing from $61,701 and 39.25 percent in the year prior, to $64,605 and 42.02 percent in 1983 — proving that good margins can be made on items in customer demand.

Parts and service combined, as a percentage of the total dealer sales mix, was 28.28 percent of sales in 1983 which was practically the same as the 28.05 percent in 1982. For most dealers, parts and service are the only sources of profit in these times.

Parts inventory turnover has historically been slow even in better years, which is a consequence of dealers' desire to serve their customers. This attitude was to be commended, but not the high obsolescence which resulted. Turnover in the late 70's was approximately 2.00 times, but has steadily declined in the 80's to 1.79 times. What would be the result if dealers charged interest at the regular bank loan rates to the cost value of the parts stocked in inventory in their bins? Every dealer would do well to do this figuring for his own business and analyze the results.

It should be reiterated again and again: Dealers would gain from careful and frequent studies of parts inventories, perhaps zeroing in first on high-priced parts with the idea that where two or three are stocked, perhaps one will do. Dealers should have as a goal a turnover in parts inventory of between 2½ and 3 times annually instead of the 1.79 times turn actually experienced in 1983. For the average dealer, the inventory reduction would have released $45,000 in cash for use in areas other than parts.

Salaries and Wages

Salaries and wages (except service employees) for the average dealer were virtually the same in 1983 as in 1982, at 5.88 percent of sales compared to 5.74 percent in the previous year. Adding in the item of employee benefits, the percentages were 7.47 percent and 7.20 percent respectively — almost no change for the year.

The above figures include salaries of officers and owners. Figures for hired employees were 5.63 percent and 5.44 percent respectively — again, almost no change.

Following is a comparison of various types of wages paid in the two years, 1983 and 1982:

	Percent of Sales	
	1983	1982
Officers and Owners	1.84	1.76
Sales Compensation	1.52	1.40
Partsmen	1.47	1.45
Office and Other	1.05	1.13
Employee Benefits (taxes, group insurance, etc.)	1.59	1.46
Total	7.47	7.20

The increase in service department productivity was very good in 1983 as noted previously. Their production of income was greater than costs of servicemen's time by $2,900 for the average dealership.

Other Expenses

Dealer control of expenses was evident from a comparison of the results of 1983 and 1982 when total expense ratios to total sales were 16.88 percent and 16.69 percent respectively. The slight increase of 0.19 percent of sales was insignificant. There was a noteworthy drop in the cost of interest on floor plan notes and bank borrowings, going from 1.80 percent in 1982 to 1.56 percent in 1983 — apparently following a reduction in the prime rate.

Occupancy costs increased from 1.50 percent in 1982 to 1.67 percent in 1983, a rise of 0.17 percent points or approximately 10 percent. Most other expense items were very nearly the same as in the year prior.

Assets, Liabilities and Equity

The cash position of the average dealer at the close of 1983 was surprisingly better than the year prior. Cash and securities totaled $66,273 in 1983 as compared to $48,237 in 1982. Receivables stood still at $132,000 during the year.

New whole goods inventories declined slightly during 1983, going from $723,429 to $716,874, a decrease of $6,555 or nearly 1 percent. However, used equipment inventory was on the rise, increasing from $209,908 to $224,419, or 6.9 percent in 1983.

Paid-for inventory which is figured as the difference between floor plan notes payable and the total new and

used inventory, amounted to $150,455, down by $31,385 from 1982's level of $181,840.

On the other side of the picture, current indebtedness decreased from $129,310 to $100,959 indicating a payoff of $28,351. At the same time, floor plan notes payable moved up from $751,497 to $790,838, an increase of $39,341. Bank borrowings dropped during the year, going from $118,045 down to $94,978, a decrease of $23,067. Total current liabilities in the average dealer balance sheet — including floor plan notes payable — decreased from $998,852 in 1982 down to $986,775 in 1983, a decline of $12,077.

Dealer current indebtedness, excluding floor plan notes payable, decreased a sizable $51,418 during the year, or approximately 21 percent.

Long-term indebtedness was relatively static at $131,676 at year-end 1983, compared to $125,533 at the close of the previous year.

Ownership equity for the participating dealers stood at 24.57 percent of total assets at the end of 1983 compared to the 1982 level of 25.12 percent.

Equity of owners in the farm equipment business has traditionally been low, due largely to manufacturer practices of floor planning equipment inventories. The equity of 24.57 percent for dealers in 1983 simply means that dealers own nearly one-fourth of their business and use outside capital to finance the remaining three-fourths. Some portion of the latter is open account credit with suppliers and loans from banks and others.

Net profit return on dealership equity, as noted before, was disastrous in both 1983 and 1982 when dealers realized 5.62 percent and 5.57 percent return respectively. Still another measure of profitability is net profit return on total capital employed in the business (total assets). Meager profits in the two years produced lowest ratios ever experienced by dealers, with showings of 1.37 percent in 1983 and 1.41 percent in 1982.

Dealers with Sales Under $1 Million — Group "A"

This group of dealers represented 19 percent of the total number of participants in the 1983 Cost of Doing Business Study. Profitability for this group was the poorest of all the volume size groups of dealers in the study, continuing what seemed a year ago to be a negative trend for smaller dealers.

On the positive side, for these dealers, percentages of margins on sales, both total and by department, were the highest of the four groups. Total margin in 1983 was 19.34 percent of sales while other volume groups, "B" through "D", had 16.23 percent, 14.58 percent and 13.67 percent respectively (the higher the volume of sales, the lower the percentage of margin).

High overhead for the small dealers continues to be a serious problem for them. In 1983, total expenses were 21.99 percent of sales which is almost identical to the 21.63 percent in 1982.

Dealers with Sales Between $1 Million and $2 Million — Group "B"

Dealers in this volume size group represented 31 percent of the total number of participants in the study and was the largest of the four groups.

As with the previous volume group, high overhead is the most serious problem. The 1983 expenses were 18.70 percent of sales, while a year earlier they were 18.44 percent.

Comparatively, margins on sales were very good. Total margin was 16.23 percent of sales, down only slightly from the 16.64 percent of the year prior. Margins on equipment sales almost held even, while service labor improved in 1983.

Dealers with Sales Between $2 Million and $3 Million — Group "C"

Net profit for this volume size group of dealers did not improve a great deal in 1983 over the low record shown in 1982, standing at 0.77 percent of sales compared to the year earlier at 0.65 percent.

Margins on new and used equipment held about the same as the previous year, while the showing on parts deteriorated from 31.25 percent in 1982 to 30.48 percent in 1983. Margins on service rose at a healthy clip, moving from 36.90 percent of sales in 1982 to 42.02 percent in 1983.

These dealers held the line on expenses and managed to improve the ratio from the 1982 level of 17.04 percent of sales to 16.78 percent of sales in 1983.

Dealers with Sales Over $3 Million — Group "D"

The largest dealers had the poorest percentage of margin on equipment sales, the best percentage of margin on service labor sales, and the lowest expense ratio to sales of the four volume size groups.

Margins on service labor were already good in 1982 when the earnings were 42.24 percent of service sales, but these dealers managed a slight increase in 1983 with the showing of 43.29 percent of sales.

Total expense for this group of dealers in 1983 was 15.53 percent of sales, but a year ago the ratio was 14.78 percent.

Personnel and Service Data

Personnel, productivity and service data for the average dealer in each of the past two years are tabulated below:

	Averages Per Dealer	
	1983	1982
Number of Employees	12.34	12.33
Total Sales per Employee	173,325	177,614
Total Assets per Employee	120,155	126,131
Number of Salesmen, Including Owners	2.97	2.84
Sales of New & Used Eqpt per Salesman	492,494	516,295
Number of Partsmen	2.02	1.97
Sales of Parts per Partsman	223,250	232,003
Number of Servicemen	5.39	5.50
Sales of Service per Serviceman	28,523	28,579
Number of Office Employees	1.51	1.47
Number of Other Employees	0.45	0.55
Hourly Wage of Top Mechanic	7.71	7.53
Hourly Wage of Regular Mechanic	6.01	5.99
Hourly Customer Shop Rate	21.19	20.29
Hourly Internal Shop Rate	17.39	17.49

As can be seen from this tabulation, productivity per employee, in all areas of the dealership, has deteriorated slightly during the year of 1983.

Fixed Assets

A portion of the questionnaire used in the 1983 Cost of Doing Business survey was devoted to dealership fixed assets. Dealers were asked to supply data on original costs of various groupings of these assets employed in their businesses.

Fixed asset groupings which apply across the board to all dealerships are: Shop and office equipment; furniture and fixtures; and cars, trucks and other vehicles. Dealers owning their business buildings and real estate reported those costs in addition, while renters reported costs of their leasehold improvements, if any. Some reporting dealers were both owners and renters of buildings and/or real estate.

Following is a tabulation of fixed asset data for the various volume size groups of dealers, and the national average of all dealers. As would be expected, the smaller dealers had the greatest investment in proportion to volume size. For volume groups larger than Group "B", it appears that the requirements for fixed assets for the operation of a dealership were about equal per thousand dollars of sales volume.

It is to be noted that fixed asset data for the high profit dealer was very little different from that of the average dealer. For that reason, tabulation of data for high profit dealers is omitted.

DEALERSHIP INVESTMENT IN FIXED ASSETS

	Volume Group "A"	Volume Group "B"	Volume Group "C"	Volume Group "D"	All Dealers
	Average Original Cost Per Dealer				
Shop and Office Equipment	$16,684	$27,051	$39,987	$58,037	$37,161
Furniture and Fixtures	7,838	16,379	23,169	36,996	22,152
Cars, Trucks and Other Vehicles	38,899	61,812	88,937	131,470	84,161
	Average Original Cost Per Dealer Per $1,000 Sales				
Shop and Office Equipment	$25	$18	$16	$16	$17
Furniture and Fixtures	12	11	10	10	10
Cars, Trucks and Other Vehicles	58	42	37	37	39

Industrial Dealer Operations

Dealers classified as industrial are those who indicated that 50 percent or more of their whole goods sales in 1983 were industrial. Dealers of this classification were 98, which is an increase of 38 in number and 63.33 percent over 1982.

Sales of new equipment were up 8 percent in 1983 for the average reporting dealer. Used equipment sales almost held even with the year prior at $415,895 compared to $417, 290. Percentage of margin on equipment sales was approximately the same, sliding from 10.54 percent in 1982 to 10.41 percent in 1983. There was a falling off in margin percentage on parts sales where the average dealer had 30.36 percent in 1983, compared to 33.77 percent in 1982. Margin on total sales was slightly lower for the year, going from 19.04 percent in 1982 down to 18.60 percent in 1983.

Expense control on the part of these dealers was in evidence since overhead amounted to 18.60 percent of the sales dollar compared to 19.84 percent in the year prior. Savings were achieved pretty well across the board.

The result of all this was a slightly better net profit for the industrial dealer in 1983 when a profit of 1.89 percent of sales was earned compared to 1.80 percent in 1982.

Operating results and balance sheet data for industrial dealers are tabulated on pages 8 and 9.

Lawn and Garden Equipment Dealers

Primarily as a result of promotional efforts on the part of the National Equipment-Servicing Dealers Association, which is the organization of the retail lawn and garden dealers, located in Jefferson Valley, New York, there was a greatly increased number of responses from these dealers for the 1983 study. Returns were received from 45 of the dealers as compared to just 10 in the year prior.

Lawn and garden equipment dealers achieved good margins compared to the agricultural and industrial dealers taking part in this year's study. However, working against them in the same way as other small volume equipment dealers was high overhead (20.32 percent of sales) plus the additional point of having very little or no "Other Income" of which volume discount is a prime factor in the farm equipment business.

As with many other types of businesses in 1983, net profit for the lawn and garden dealers was a poor 1.04 percent of sales.

A complete tabulation of operating results and balance sheet data appears on pages 8 and 9.

DEALER BUSINESS TRENDS

(FOR THE PAST 10 YEARS)

FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

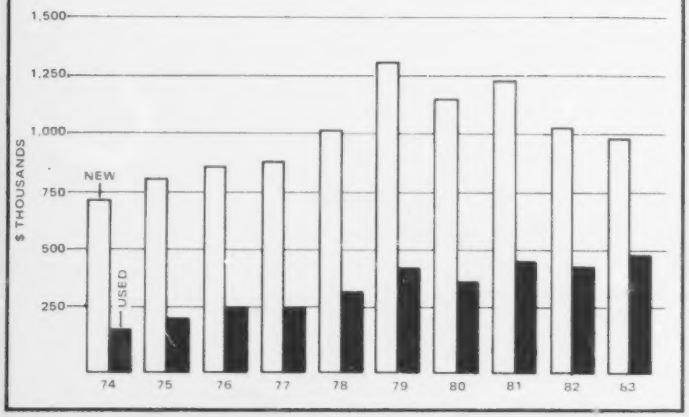


FIG. 4
PARTS–SERVICE–OTHER SALES TRENDS

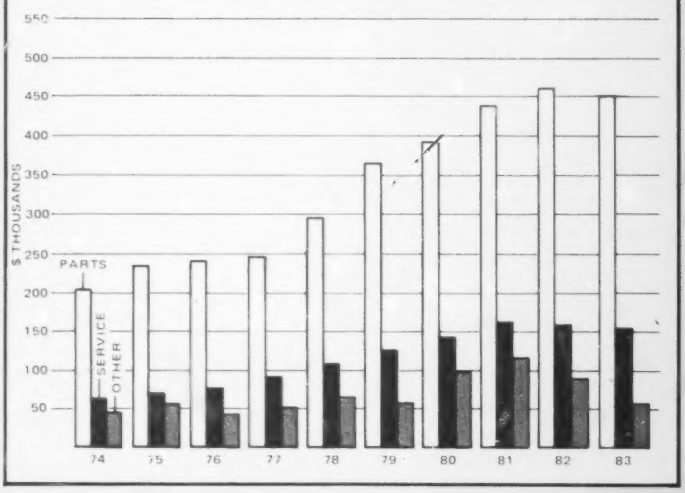


FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

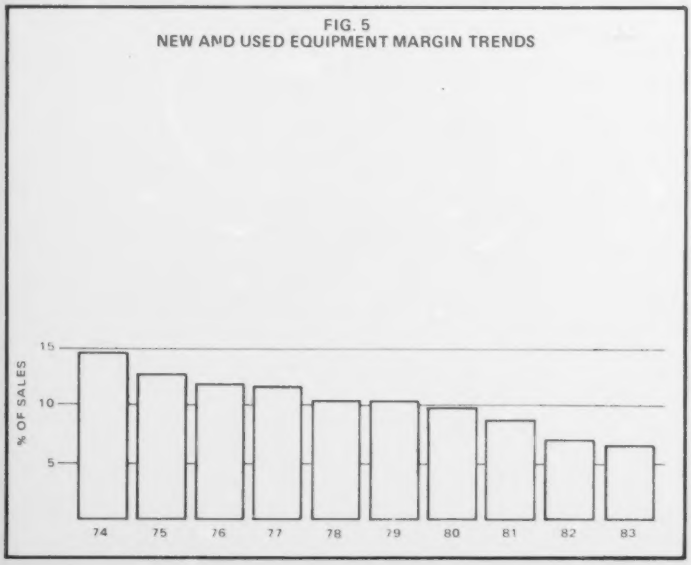
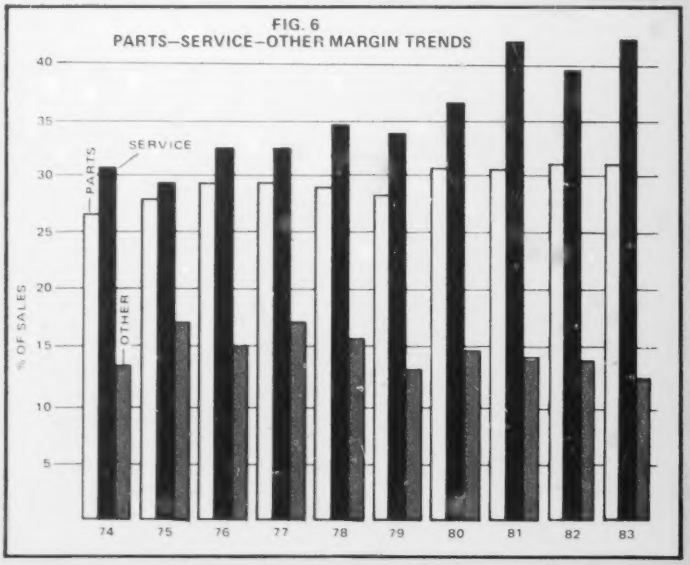


FIG. 6
PARTS–SERVICE–OTHER MARGIN TRENDS



OPERATING DATA — ALL DEALERS

OPERATING AVERAGES	AGRICULTURAL DEALERS Amount	% Sales	INDUSTRIAL DEALERS Amount	% Sales	LAWN AND GARDEN DEALERS Amount	% Sales
SALES						
New Equipment	$ 983,281	45.97	$1,167,849	47.11	$ 533,845	53.84
Used Equipment	479,426	22.41	415,895	16.78	131,046	13.21
Total New and Used	1,462,707	68.38	1,583,744	63.89	664,891	67.05
Repair Parts	450,964	21.09	510,024	20.58	223,334	22.53
Service Labor	153,739	7.19	180,058	7.27	92,948	9.37
Other Lines	61,501	2.87	91,771	3.70	6,363	.65
Rental-Lease Income	9,922	.47	112,953	4.56	3,965	.40
TOTAL SALES	**2,138,833**	**100.00**	**2,478,550**	**100.00**	**991,501**	**100.00**
MARGINS						
New Equipment	78,495	7.98	122,602	10.50	86,269	16.16
Used Equipment	19,816	4.13	42,341	10.18	(1,277)	(.97)
Total New and Used	98,311	6.72	164,943	10.41	84,992	12.78
Repair Parts	139,805	31.00	154,867	30.36	72,713	32.56
Service Labor	64,605	42.02	71,425	39.67	36,414	39.18
Other Lines	7,830	12.73	27,649	30.13	1,079	16.96
Rental-Lease Income	5,182	52.23	30,983	27.43	2,074	52.31
TOTAL OPERATING MARGIN	**315,733**	**14.76**	**449,867**	**18.15**	**197,272**	**19.90**
EXPENSES						
Salaries—Salesmen	32,566	1.52	44,762	1.80	19,417	1.95
Travel and Training	3,959	.18	6,120	.25	2,219	.23
Advertising and Promotion	14,725	.69	18,532	.75	12,824	1.29
After Sales & Warranty Expense	12,796	.60	11,459	.46	5,956	.60
TOTAL SALES EXPENSE	**64,046**	**2.99**	**80,873**	**3.26**	**40,416**	**4.07**
Salaries—Officers, Owners	39,434	1.84	48,913	1.97	21,719	2.19
Salaries—Partsmen	31,391	1.47	37,340	1.51	19,992	2.02
Salaries—Office and Others	22,335	1.05	35,707	1.44	12,639	1.27
Occupancy Expense	35,825	1.67	42,820	1.73	24,808	2.50
Heat, Light, Power, Water	8,284	.39	9,499	.38	4,723	.48
Telephone and Telegraph	6,655	.31	9,459	.38	4,610	.47
Office & Store Exp., and Postage	13,151	.61	16,041	.65	5,318	.53
Shop Supplies and Expense	9,322	.44	12,508	.50	4,563	.46
Car and Truck Expense	20,817	.97	25,489	1.03	9,687	.98
Taxes—Except Payroll & Real Estate	4,751	.22	6,138	.25	3,541	.36
Employee Benefits	33,842	1.59	43,107	1.74	20,898	2.10
Dues and Subscriptions	971	.04	1,433	.06	388	.04
Insurance—Except Group & R.E.	10,948	.51	13,860	.56	5,972	.61
Legal and Auditing	3,364	.16	5,936	.23	2,383	.24
Interest & Bank Chgs—Except R.E.	33,259	1.56	42,313	1.71	10,272	1.03
Depreciation	15,151	.70	19,099	.77	7,175	.73
Bad Debts	4,824	.23	6,779	.28	1,341	.13
Contributions and Miscellaneous	2,755	.13	3,750	.15	1,039	.11
TOTAL EXPENSE	**361,125**	**16.88**	**461,064**	**18.60**	**201,484**	**20.32**
NET PROFIT ON SALES	**(45,392)**	**(2.12)**	**(11,197)**	**(.45)**	**(4,212)**	**(.42)**
OTHER INCOME	**65,672**	**3.07**	**58,175**	**2.34**	**14,485**	**1.46**
NET OPERATING PROFIT OR LOSS -Before Income Taxes-	**20,280**	**.95**	**46,978**	**1.89**	**10,273**	**1.04**

FINANCIAL DATA — ALL DEALERS

BALANCE SHEET AVERAGES	AGRICULTURAL DEALERS Amount	% Total Assets	INDUSTRIAL DEALERS Amount	% Total Assets	LAWN AND GARDEN DEALERS Amount	% Total Assets
ASSETS						
Cash and Securities	$ 66,273	4.46	$ 87,966	5.23	$ 27,776	5.33
Accounts and Notes Receivable	132,324	8.93	182,773	10.88	38,366	7.37
TOTAL	198,597	13.39	270,739	16.11	66,142	12.70
INVENTORIES						
New Equipment	716,874	48.35	772,608	45.98	267,373	51.35
Used Equipment	224,419	15.13	174,787	10.40	42,057	8.07
Repair Parts	173,744	11.72	171,643	10.21	77,612	14.91
Other Lines	16,632	1.12	19,875	1.19	3,824	.73
Rental or Lease	7,190	.49	101,482	6.04	195	.04
TOTAL INVENTORIES	**1,138,859**	**76.81**	**1,240,395**	**73.82**	**391,061**	**75.10**
TOTAL CURRENT ASSETS	**1,337,456**	**90.20**	**1,511,134**	**89.93**	**457,203**	**87.80**
Fixed Assets	105,096	7.09	134,720	8.01	43,854	8.42
Finance Reserve and Other Assets	40,162	2.71	34,486	2.06	19,642	3.78
TOTAL ASSETS	**1,482,714**	**100.00**	**1,680,340**	**100.00**	**520,699**	**100.00**
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	100,959		112,556		62,153	
Floor Plan Notes Payable	790,838		886,567		210,161	
Notes Payable—Bank and Other	94,978		87,353		31,698	
Mortgages and Other Long-Term	131,676		199,704		68,828	
TOTAL LIABILITIES	**1,118,451**		**1,286,180**		**372,840**	
Net Worth	364,263	24.57	394,160	23.46	147,859	28.40
TOTAL LIABILITIES AND NET WORTH	**1,482,714**		**1,680,340**		**520,699**	

FINANCIAL RATIOS	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	LAWN AND GARDEN DEALERS
Current Ratio	1.36 TO 1	1.39 TO 1	1.50 TO 1
Ownership Equity	24.57 %	23.46 %	28.40 %
Net Working Capital Turnover	6.10 TIMES	5.84 TIMES	6.47 TIMES
Inventory to Net Working Capital	3.25 TO 1	2.92 TO 1	2.55 TO 1
Turnover of Total Assets	1.44 TIMES	1.48 TIMES	1.90 TIMES
Return on Total Assets	1.37 %	2.80 %	1.97 %
Return on Net Worth	5.57 %	11.92 %	6.95 %

PERSONNEL DATA	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	LAWN AND GARDEN DEALERS
Average Number of Employees per Dealer	12.34	14.73	8.85
Average Total Sales per Employee	173,325	168,266	112,034
Average Total Assets per Employee	120,155	114,076	58,836
Average Number of Salesmen—Including Owners	2.97	3.41	2.48
Average New and Used Sales per Salesman	492,494	464,441	268,102
Average Number of Partsmen	2.02	2.31	1.55
Average Parts Sales per Partsman	223,250	220,790	144,086
Average Number of Servicemen	5.39	5.97	3.45
Average Service Sales per Serviceman	28,523	30,161	26,942
Average Number of Office Employees	1.51	2.16	1.18
Average Number of Other Employees	.45	.88	.18

AGRICULTURAL DEALER OPERATIONS BY SALES VOLUME SIZE

VOLUME GROUP "A"

SALES UNDER 1,000,000

OPERATING AVERAGES	AVERAGE Amount	AVERAGE % Sales	HIGH PROFIT Amount	HIGH PROFIT % Sales	YOUR FIGURES Amount	YOUR FIGURES % Sales
SALES						
New Equipment	$ 292,391	43.86	$ 269,703	44.25		
Used Equipment	109,881	16.49	100,041	16.42		
Total New and Used	402,272	60.35	369,744	60.67		
Repair Parts	195,629	29.35	181,886	29.85		
Service Labor	52,926	7.94	41,832	6.86		
Other Lines	12,779	1.92	14,390	2.37		
Rental-Lease Income	2,900	.44	1,523	.25		
TOTAL SALES	**666,506**	**100.00**	**609,375**	**100.00**		
MARGINS						
New Equipment	31,644	10.82	36,573	13.56		
Used Equipment	8,908	8.11	14,938	14.93		
Total New and Used	40,552	10.08	51,511	13.93		
Repair Parts	64,345	32.89	64,223	35.31		
Service Labor	19,230	36.33	12,815	30.63		
Other Lines	3,405	26.65	3,803	26.43		
Rental-Lease Income	1,387	47.83	1,470	96.52		
TOTAL OPERATING MARGIN	**128,919**	**19.34**	**133,822**	**21.96**		
EXPENSES						
Salaries—Salesmen	11,758	1.76	11,203	1.83		
Travel and Training	1,373	.21	1,318	.22		
Advertising and Promotion	5,925	.88	4,912	.81		
After Sales & Warranty Expense	3,051	.46	1,809	.29		
TOTAL SALES EXPENSE	**22,107**	**3.31**	**19,242**	**3.15**		
Salaries—Officers, Owners	15,912	2.39	12,675	2.08		
Salaries—Partsmen	13,573	2.04	11,791	1.94		
Salaries—Office and Others	9,951	1.49	8,048	1.32		
Occupancy Expense	15,583	2.34	13,644	2.24		
Heat, Light, Power, Water	4,132	.62	3,459	.56		
Telephone and Telegraph	3,078	.46	2,684	.45		
Office and Store Exp., and Postage	4,493	.67	3,362	.55		
Shop Supplies and Expense	4,518	.68	3,436	.56		
Car and Truck Expense	8,542	1.28	7,282	1.20		
Taxes—Except Payroll & Real Estate	2,320	.35	2,098	.34		
Employee Benefits	12,397	1.86	8,858	1.45		
Dues and Subscriptions	521	.08	472	.08		
Insurance—Except Group & R.E.	5,304	.79	4,948	.81		
Legal and Auditing	1,507	.23	1,142	.19		
Interest & Bank Chgs—Except R.E.	13,847	2.08	5,992	.98		
Depreciation	6,100	.91	5,148	.85		
Bad Debts	1,913	.29	1,540	.25		
Contributions and Miscellaneous	833	.12	718	.12		
TOTAL EXPENSE	**146,631**	**21.99**	**116,539**	**19.12**		
NET PROFIT ON SALES	**(17,712)**	**(2.65)**	**17,283**	**2.84**		
OTHER INCOME	**20,509**	**3.07**	**21,035**	**3.45**		
NET OPERATING PROFIT OR LOSS –Before Income Taxes–	**2,797**	**.42**	**38,318**	**6.29**		

VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000				VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000				VOLUME GROUP "D" SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$ 677,918	45.94	$ 686,848	47.77	$1,169,153	48.07	$1,175,001	48.12	$1,620,299	45.28	$1,655,681	46.29
293,889	19.92	256,104	17.81	522,381	21.47	494,261	20.24	880,852	24.63	730,610	20.42
971,807	65.86	942,952	65.58	1,691,534	69.54	1,669,262	68.36	2,501,151	69.91	2,386,291	66.71
354,467	24.02	353,097	24.56	501,192	20.61	516,848	21.17	681,496	19.04	775,476	21.68
111,474	7.55	103,942	7.23	171,013	7.03	156,432	6.41	250,820	7.01	287,335	8.04
32,196	2.19	32,528	2.26	58,617	2.41	93,142	3.82	125,167	3.50	107,933	3.01
5,589	.38	5,237	.37	9,782	.41	5,840	.24	19,029	.54	19,694	.56
1,475,533	**100.00**	**1,437,756**	**100.00**	**2,432,138**	**100.00**	**2,441,524**	**100.00**	**3,577,663**	**100.00**	**3,576,729**	**100.00**
64,090	9.45	86,782	12.63	97,723	8.36	136,103	11.58	110,698	6.83	148,012	8.94
12,448	4.24	25,399	9.92	19,913	3.81	39,775	8.05	34,421	3.91	59,248	8.11
76,538	7.88	112,181	11.90	117,636	6.95	175,878	10.54	145,119	5.80	207,260	8.69
110,297	31.12	113,337	32.10	152,743	30.48	165,292	31.98	210,235	30.85	250,853	32.35
45,647	40.95	44,634	42.94	71,856	42.02	65,547	41.90	108,579	43.29	131,841	45.88
4,132	12.83	6,244	19.20	7,862	13.41	15,398	16.53	14,503	11.59	10,485	9.71
2,858	51.14	2,118	40.44	4,395	44.93	2,603	44.57	10,557	55.48	12,409	63.01
239,472	**16.23**	**278,514**	**19.37**	**354,492**	**14.58**	**424,718**	**17.40**	**488,993**	**13.67**	**612,848**	**17.13**
21,948	1.46	24,405	1.69	37,469	1.54	39,866	1.63	53,700	1.50	52,264	1.46
3,040	.21	2,784	.20	4,516	.18	4,641	.19	6,200	.17	6,315	.17
10,691	.72	8,849	.61	17,311	.71	16,475	.67	22,845	.64	21,379	.60
7,051	.48	5,012	.35	13,712	.57	10,184	.42	24,419	.68	22,980	.64
42,730	**2.89**	**41,050**	**2.35**	**73,008**	**3.00**	**71,166**	**2.91**	**107,164**	**2.99**	**102,938**	**2.87**
31,941	2.17	30,142	2.10	47,772	1.96	55,584	2.28	56,746	1.59	63,815	1.79
25,080	1.70	26,246	1.82	35,076	1.44	34,868	1.42	46,917	1.31	53,172	1.48
17,427	1.18	19,086	1.33	25,658	1.06	26,386	1.09	33,168	.92	32,320	.91
27,678	1.87	22,738	1.58	41,677	1.71	40,194	1.64	53,383	1.50	48,965	1.37
6,680	.45	5,972	.42	9,986	.41	9,593	.39	11,481	.32	10,889	.30
5,187	.36	4,865	.33	7,634	.32	7,103	.30	9,824	.27	8,788	.25
10,455	.71	9,283	.65	14,630	.60	13,518	.55	20,513	.58	20,108	.56
7,061	.47	6,562	.46	9,816	.40	8,392	.34	14,427	.40	15,442	.43
15,360	1.04	15,179	1.05	23,489	.97	22,300	.92	32,587	.91	33,830	.95
3,696	.26	3,330	.23	5,268	.21	6,021	.24	7,063	.20	7,686	.21
24,894	1.68	23,980	1.67	37,860	1.56	39,932	1.64	54,220	1.51	58,941	1.65
707	.05	693	.05	956	.04	1,057	.04	1,545	.05	1,567	.04
9,363	.63	9,506	.66	12,373	.51	11,152	.46	15,259	.42	15,853	.45
2,879	.20	2,729	.19	3,366	.14	3,619	.15	5,053	.14	5,812	.16
28,200	1.91	14,853	1.03	36,874	1.51	21,290	.87	48,536	1.36	25,130	.70
11,176	.76	9,575	.67	16,379	.68	15,103	.62	24,270	.68	21,174	.59
3,588	.24	3,653	.25	3,855	.15	3,856	.16	8,616	.24	12,329	.35
1,849	.13	1,844	.13	2,506	.11	3,093	.12	5,095	.14	5,886	.16
275,951	**18.70**	**251,286**	**17.47**	**408,183**	**16.78**	**394,227**	**16.14**	**555,867**	**15.53**	**544,645**	**15.22**
(36,479)	**(2.47)**	**27,228**	**1.89**	**(53,691)**	**(2.20)**	**30,491**	**1.25**	**(66,874)**	**(1.86)**	**68,203**	**1.91**
44,550	**3.01**	**44,332**	**3.08**	**72,315**	**2.97**	**86,671**	**3.54**	**112,182**	**3.13**	**115,990**	**3.24**
8,071	**.54**	**71,560**	**4.97**	**18,624**	**.77**	**117,162**	**4.79**	**45,308**	**1.27**	**184,193**	**5.15**

AGRICULTURAL DEALER BALANCE SHEETS, FINANCIAL RATIOS AND PERSONNEL DATA BY SALES VOLUME SIZE

	VOLUME GROUP "A" SALES UNDER $1,000,000 AVERAGE		HIGH PROFIT		YOUR FIGURES	
BALANCE SHEET AVERAGES	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS						
Cash and Securities	$ 32,053	5.32	$ 54,235	9.57		
Accounts and Notes Receivable	48,351	8.03	46,303	8.17		
TOTAL	80,404	13.35	100,538	17.74		
INVENTORIES						
New Equipment	294,288	48.90	275,907	48.70		
Used Equipment	80,824	13.43	57,667	10.18		
Repair Parts	81,599	13.55	72,012	12.71		
Other Lines	5,615	.94	7,400	1.31		
Rental or Lease	1,146	.19	482	.08		
TOTAL INVENTORIES	**463,472**	**77.01**	**413,468**	**72.98**		
TOTAL CURRENT ASSETS	**543,876**	**90.36**	**514,006**	**90.72**		
Fixed Assets	47,670	7.92	45,781	8.08		
Finance Reserve and Other Assets	10,348	1.72	6,754	1.20		
TOTAL ASSETS	**601,894**	**100.00**	**566,541**	**100.00**		
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	31,615		21,439			
Floor Plan Notes Payable	276,640		227,885			
Notes Payable—Bank and Other	43,113		21,696			
Mortgages and Other Long-Term	58,568		42,325			
TOTAL LIABILITIES	**409,936**		**313,345**			
Net Worth	191,958	31.89	253,196	44.69		
TOTAL LIABILITIES AND NET WORTH	**601,894**		**566,541**			
INVENTORY TURNOVER	**Amount**	**Times Turn**	**Amount**	**Times Turn**		
New Equipment	294,288	.89	275,907	.84		
Used Equipment	80,824	1.25	57,667	1.48		
Repair Parts	81,599	1.61	72,012	1.63		
Other Lines	5,615	1.67	7,400	1.43		
Rental or Lease	1,146	1.32	482	.11		
TOTAL INVENTORIES	**463,472**	**1.09**	**413,468**	**1.08**		
FINANCIAL RATIOS						
Current Ratio	1.55 TO 1		1.90 TO 1			
Ownership Equity	31.89 %		44.69 %			
Net Working Capital Turnover	3.46 TIMES		2.51 TIMES			
Inventory to Net Working Capital	2.41 TO 1		1.70 TO 1			
Turnover of Total Assets	1.11 TIMES		1.08 TIMES			
Return on Total Assets	.46 %		6.76 %			
Return on Net Worth	1.46 %		15.13 %			
PERSONNEL DATA						
Average Number of Employees per Dealer	6.61		6.27			
Average Total Sales per Employee	100,833		97,189			
Average Total Assets per Employee	91,058		90,357			
Average Number of Salesmen—Including Owners	1.86		1.73			
Average New and Used Sales per Salesman	216,276		213,725			
Average Number of Partsmen	1.03		1.05			
Average Parts Sales per Partsman	189,932		173,225			
Average Number of Servicemen	2.54		2.46			
Average Service Sales per Serviceman	20,837		17,005			
Average Number of Office Employees	.96		.86			
Average Number of Other Employees	.23		.16			
Average Hourly Wage—Top Mechanic	6.66		6.65			
Average Hourly Wage—Regular Mechanic	4.67		3.98			
Average Hourly Customer Shop Rate	19.58		19.26			
Average Hourly Internal Shop Rate	15.16		14.05			

VOLUME GROUP "B" SALES $1,000,000 TO $2,000,000 AVERAGE		HIGH PROFIT		VOLUME GROUP "C" SALES $2,000,000 TO $3,000,000 AVERAGE		HIGH PROFIT		VOLUME GROUP "D" SALES OVER $3,000,000 AVERAGE		HIGH PROFIT	
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
$ 53,585	4.74	$ 96,455	9.73	$ 61,804	3.78	$ 73,077	4.68	$ 104,337	4.50	$ 196,908	8.43
85,962	7.62	92,572	9.33	132,390	8.11	155,120	9.96	234,370	10.12	345,775	14.80
139,547	12.36	189,027	19.06	194,194	11.89	228,197	14.64	338,707	14.62	542,683	23.23
554,047	49.09	442,459	44.64	821,597	50.31	753,822	48.37	1,087,363	46.97	983,194	42.11
167,245	14.81	115,518	11.66	240,609	14.74	210,442	13.50	365,104	15.76	301,099	12.89
145,884	12.93	119,623	12.06	195,568	11.97	181,973	11.68	247,192	10.68	239,856	10.27
10,743	.95	10,453	1.06	16,606	1.02	30,358	1.94	29,842	1.29	37,668	1.62
5,522	.49	5,005	.50	5,100	.31	5,252	.34	14,175	.61	18,541	.79
883,441	**78.27**	**693,058**	**69.92**	**1,279,480**	**78.35**	**1,181,847**	**75.83**	**1,743,676**	**75.31**	**1,580,358**	**67.68**
1,022,988	**90.63**	**882,085**	**88.98**	**1,473,674**	**90.24**	**1,410,044**	**90.47**	**2,082,383**	**89.93**	**2,123,041**	**90.91**
81,400	7.21	89,691	9.05	107,735	6.60	102,763	6.60	164,773	7.12	150,566	6.45
24,309	2.16	19,463	1.97	51,549	3.16	45,653	2.93	68,221	2.95	61,588	2.64
1,128,697	**100.00**	**991,239**	**100.00**	**1,632,958**	**100.00**	**1,558,460**	**100.00**	**2,315,377**	**100.00**	**2,335,195**	**100.00**
67,905		65,824		103,587		131,486		178,042		214,479	
586,880		418,352		917,734		766,610		1,248,107		1,051,992	
79,882		43,256		109,381		57,479		134,302		65,577	
102,512		97,071		133,886		120,984		207,362		193,780	
837,179		**624,503**		**1,264,588**		**1,076,559**		**1,767,813**		**1,525,828**	
291,518	25.83	366,736	37.00	368,370	22.56	481,901	30.92	547,564	23.65	809,367	34.66
1,128,697		**991,239**		**1,632,958**		**1,558,460**		**2,315,377**		**2,335,195**	
Amount	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**
554,047	1.11	442,459	1.36	753,822	1.38	821,597	1.30	1,087,363	1.39	983,194	1.53
167,245	1.68	115,518	2.00	210,442	2.16	240,609	2.09	365,104	2.32	301,099	2.23
145,884	1.67	119,623	2.00	181,973	1.93	195,568	1.78	247,192	1.91	239,856	2.19
10,743	2.61	10,453	2.51	30,358	2.56	16,606	3.06	29,842	3.71	37,668	2.59
5,522	.49	5,005	.62	5,252	.62	5,100	1.06	14,175	.60	18,541	.39
883,441	**1.32**	**693,058**	**1.59**	**1,181,847**	**1.63**	**1,279,480**	**1.55**	**1,743,676**	**1.69**	**1,580,358**	**1.78**
1.39 TO 1		1.67 TO 1		1.30 TO 1		1.48 TO 1		1.33 TO 1		1.59 TO 1	
25.83 %		37.00 %		22.56 %		30.92 %		23.65 %		34.66 %	
5.12 TIMES		4.05 TIMES		7.09 TIMES		5.37 TIMES		6.85 TIMES		4.52 TIMES	
3.06 TO 1		1.95 TO 1		3.73 TO 1		2.60 TO 1		3.34 TO 1		2.00 TO 1	
1.31 TIMES		1.45 TIMES		1.49 TIMES		1.57 TIMES		1.55 TIMES		1.53 TIMES	
.72 %		7.22 %		1.14 %		7.52 %		1.96 %		7.89 %	
2.77 %		19.51 %		5.06 %		24.31 %		8.27 %		22.76 %	
10.22		10.06		13.57		13.72		18.09		18.32	
144,377		142,918		179,229		177,954		197,770		195,236	
110,440		98,533		120,336		113,590		127,992		127,467	
2.50		2.44		3.27		3.38		4.10		3.70	
388,724		386,456		517,289		493,865		610,037		644,944	
1.70		1.70		2.21		2.31		2.99		3.38	
208,510		207,705		226,784		223,744		227,925		229,431	
4.32		4.24		5.96		5.85		8.31		8.53	
25,804		24,515		28,694		26,741		30,183		33,685	
1.33		1.36		1.62		1.59		2.01		2.00	
.36		.32		.51		.59		.68		.70	
7.57		7.63		8.11		7.91		8.32		8.74	
6.10		6.16		6.51		6.43		6.46		6.69	
20.72		20.71		21.64		20.51		22.58		23.25	
16.97		15.76		18.36		17.83		18.75		20.83	

AGRICULTURAL DEALER OPERATIONS BY GEOGRAPHIC REGION

OPERATING AVERAGES	EASTERN REGION Amount	EASTERN REGION % Sales	CENTRAL REGION Amount	CENTRAL REGION % Sales	WESTERN REGION Amount	WESTERN REGION % Sales
SALES						
New Equipment	$ 788,127	46.01	$ 968,921	46.18	$1,135,331	45.64
Used Equipment	287,490	16.79	511,463	24.38	548,315	22.04
Total New and Used	1,075,617	62.80	1,480,384	70.56	1,683,646	67.68
Repair Parts	428,776	25.03	408,079	19.45	540,329	21.72
Service Labor	131,212	7.67	150,299	7.16	174,406	7.01
Other Lines	65,475	3.82	51,162	2.44	76,980	3.10
Rental-Lease Income	11,579	.68	8,026	.39	12,156	.49
TOTAL SALES	**1,712,659**	**100.00**	**2,097,950**	**100.00**	**2,487,517**	**100.00**
MARGINS						
New Equipment	84,810	10.76	66,838	6.90	94,755	8.35
Used Equipment	12,010	4.18	18,211	3.56	27,697	5.05
Total New and Used	96,820	9.00	85,049	5.75	122,452	7.27
Repair Parts	131,455	30.66	128,163	31.41	165,578	30.64
Service Labor	57,425	43.77	63,262	42.09	71,622	41.07
Other Lines	7,880	12.04	6,659	13.02	9,843	12.79
Rental-Lease Income	5,924	51 16	4,524	56.37	5,848	48.11
TOTAL OPERATING MARGIN	**299,504**	**17.49**	**287,657**	**13.71**	**375,343**	**15.09**
EXPENSES						
Salaries—Salesmen	30,470	1.77	29,578	1.40	39,151	1.57
Travel and Training	3,535	.21	3,374	.17	5,256	.21
Advertising and Promotion	12,360	.72	14,424	.68	16,790	.68
After Sales & Warranty Expense	8,938	.52	13,094	.63	14,785	.59
TOTAL SALES EXPENSE	**55,303**	**3.22**	**60,470**	**2.88**	**75,982**	**3.05**
Salaries—Officers, Owners	34,932	2.04	37,094	1.77	46,449	1.87
Salaries—Partsmen	27,726	1.62	28,740	1.37	38,409	1.54
Salaries—Office and Others	23,250	1.36	19,084	.91	27,421	1.10
Occupancy Expense	26,644	1.56	34,792	1.65	43,603	1.76
Heat, Light, Power, Water	7,339	.42	8,281	.40	8,902	.35
Telephone and Telegraph	6,290	.37	6,171	.29	7,737	.32
Office & Store Exp., and Postage	13,175	.77	12,094	.58	14,982	.60
Shop Supplies and Expense	7,737	.45	8,627	.41	11,569	.46
Car and Truck Expense	19,301	1.13	19,483	.93	24,135	.97
Taxes—Except Payroll & Real Estate	4,612	.27	4,174	.20	5,849	.24
Employee Benefits	32,540	1.90	32,278	1.54	37,421	1.50
Dues and Subscriptions	942	.05	919	.04	1,080	.05
Insurance—Except Group & R.E.	9,556	.56	10,948	.52	11,851	.47
Legal and Auditing	2,822	.17	3,299	.16	3,828	.16
Interest & Bank Chgs—Except R.E.	25,472	1.48	34,592	1.65	35,997	1.44
Depreciation	12,437	.73	14,202	.67	18,574	.75
Bad Debts	5,307	.31	3,741	.18	6,400	.26
Contributions and Miscellaneous	3,539	.21	2,214	.11	3,190	.13
TOTAL EXPENSE	**318,924**	**18.62**	**341,203**	**16.26**	**423,379**	**17.02**
NET PROFIT ON SALES	**(19,420)**	**(1.13)**	**(53,546)**	**(2.55)**	**(48,036)**	**(1.93)**
OTHER INCOME	**51,050**	**2.98**	**65,593**	**3.12**	**75,325**	**3.02**
NET OPERATING PROFIT OR LOSS –Before Income Taxes–	**31,630**	**1.85**	**12,047**	**.57**	**27,289**	**1.09**

TEN IMPORTANT FINANCIAL AND OPERATING RATIOS

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help to measure the ability of their business to generate profits and to meet claims against it. They provide the basis, also, for isolating the business' strengths and weaknesses and may, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Dealers having adequate records will find comparison of these ratios most revealing and helpful.

CURRENT RATIO

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of 2.00 to 1 ($2.00 of Current Assets for each $1.00 of Current Liabilities) is considered satisfactory. When the ratio falls below 2.00 to 1, creditors have a greater interest in Current Assets than the owner.

EMPLOYEE STUDIES

In the space provided on page 12, enter the number of employees in each category as applicable for your business. Then calculate the average sales per employee by dividing the applicable sales amount by the number of employees for each category.

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

OWNERSHIP EQUITY

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets".

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

RECEIVABLES TURNOVER

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows whether or not receivables are in proportion to amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with ratio for same period in past two or three years. Unfavorable trends can thus be detected.

NET WORKING CAPITAL TURNOVER

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

How many times Net Working Capital turns over in a year in Sales is a good measure of activity for any business. It is a sensitive indicator of overtrading or undertrading; and as such, it is a good test of the adequacy of Net Working Capital for the scale of operations of the firm.

When this ratio is too high, it will usually be found that the dealership is short of cash and heavy on receivables and paid-for inventory. This situation promotes borrowing or sale of equipment at a loss to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the dealership is indicated. It is usually attended by a pile-up of receivables or inventory or cash, or a combination of these, in excess of the needs of the business.

INVENTORY TO NET WORKING CAPITAL

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because first, inventories are characteristically heavy and represent a major portion of Total Current Assets; and second, because of the heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

TURNOVER OF TOTAL ASSETS

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated in the question of why a dealership with $750,000 of Total Assets achieves Total Sales of $1,500,000 while another with an equal amount of assets achieves a Total Sales volume of only $1,000,000. The first would seem to be more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

RETURN ON ASSETS

Figure by dividing Net Profit by Total Assets.

This ratio, too, is an important test of operating efficiency. It is a test of the quality of management in the utilization of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings, or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

RETURN ON NET WORTH

Figure by dividing Net Profit by Net Worth.

In using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something; therefore, all Net Profit ratios should be based upon the profit *after* this salary is paid or taken into consideration in the figuring. Adequacy of profit must be measured in the light of current returns on money in the investment market, as well as compensation for risk.

INVENTORY TURNOVER

Figure by dividing Cost of Sales by Inventory.

Cost of Sales figures are not reported in this study but may be figured, if needed, by subtracting Margin from the corresponding Sales.

This ratio shows the number of times Inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

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